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March 28, 2005

**VIA FACSIMILE at 202/452-3819**

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

**Re: Docket No. R-1217**

Dear Secretary Johnson:

The Wisconsin Bankers Association (WBA) is the largest financial institution trade association in Wisconsin representing over 300 state and nationally chartered banks, savings and loan associations, and savings banks located in communities throughout the State. WBA appreciates the opportunity to comment on the advance notice of proposed rulemaking (ANPR) issued by the Board of Governors of the Federal Reserve System (FRB) concerning the open-end credit disclosures under Regulation Z, which implements the Truth in Lending Act (TILA). WBA will address some of the specific questions raised by FRB in addition to more general comments regarding the issues identified in the ANPR.

**I. Question 1: Scope of Review**

WBA strongly supports the FRB's decision to review Regulation Z's open-end credit rules as the marketplace and new technologies have dramatically changed since 1968 when TILA was first enacted. Due to the scope and comprehensive nature of the open-end credit rules, WBA believes that reviewing Regulation Z in stages is a good idea. Nonetheless, while some regulatory changes are appropriate, WBA also believes that Regulation Z is not the appropriate vehicle for addressing many of the 58 issues raised in the ANPR. WBA provides some suggestions as to alternative methods of addressing the issues raised in the ANPR later in response to Question 57.

**II. Questions 2-12: Format of Open-end Credit Disclosures**

As the ANPR highlights, creditors are required to comply with a myriad of disclosure rules which set forth the terms and conditions with regard to accessing an open-end credit plan that are important for consumers to know so that they are able to make informed decisions and choices throughout the life of the open-end credit plan. In addition, consumers may use existing account-opening or periodic statement disclosures to compare offers they receive to apply for another account or transfer existing balances to another account.

While there are only a few formatting requirements in the current rules, a 2001 survey of consumers with general purpose credit cards revealed that about two-thirds of the

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respondents said that useful information on credit terms was either "very easy" or "somewhat easy" to obtain. As a result, WBA would not support a rule that would impose, on a wholesale basis, specific, stringent formatting requirements for open-end credit disclosures. For example, WBA would not support the imposition of minimum type-size requirements for disclosures. The current "clear and conspicuous" standard sufficiently protects the interests of consumers without imposing undue burdens on creditors.

However, realizing that there is the potential for information overload as a result of the current rules, which impair the disclosures' effectiveness, WBA offers the following suggestions to certain, identified questions.

#### Questions 2-3; 7-8; and 10-12

WBA does not support the addition of an executive summary since it will only lengthen the disclosures and will likely go unread. In addition, while the idea of a navigational aid, such as a table of contents, sounds beneficial, the creation of such a tool is not feasible. Given the fact that consumers use open-end plans in varying ways, the relative importance of various terms will change over the duration of the plan's use and different terms will have more or less significance to different consumers using the same open-end credit plan. Moreover, the cross-referencing work required to create and maintain a table of contents is unduly burdensome for creditors with limited benefit for consumers.

Instead, WBA suggests that the rules simply require the disclosure headings to be in a bold-face type so that the specific provision a consumer may be interested in researching is easier to locate and read. In addition, the rules could be simplified so that the "Schumer box" and initial disclosures under open-end credit plans include only those terms which facilitate easier consumer comparison-shopping and which are uniform in nature. WBA would support the inclusion of balance transfer fees in the Schumer box. The remaining disclosures reflecting the other terms of a consumer's use of the plan would then be elsewhere in the plan agreement and a statement of that fact would be all that is necessary in the initial disclosures. Finally, WBA would support FRB preparing additional model forms and clauses to facilitate compliance with the account opening and periodic statement requirements.

#### Questions 4-6

WBA does not believe that wholesale changes should be made to the periodic statement requirements. However, with regard to clear identification of a grace period, WBA would support a requirement to disclose the grace period, or actual due date on the first page of the statement, adjacent to the "please pay by" date.

### **III. Questions 13-42: Content of Disclosures**

#### Questions 13-20

Substantively, the rules already provide requirements regarding the content of such disclosures and WBA suggests no changes to the current rules in that regard. While the current rules, for example, with regard to classifying a fee as a "finance charge" versus

"other charge" are complex, creditors are used to such classifications and making substantive changes in this regard will be unduly burdensome and confusing.

#### Questions 23-25

As stated in the ANPR, the utility of disclosing the effective annual percentage rate (APR) is controversial. The value of the disclosure of the effective APR to consumers is questionable. Any use by consumers of the APR should recognize the fact that the APR operates differently in open-end credit than in closed-end credit. While the WBA is reluctant to suggest revisions to the current method of calculating and disclosing the APR, WBA does recognize that benefits for both creditors and consumers could be achieved if the rules provided for an APR that makes mathematical sense. For example, the APR should only include charges that are based on the amount and duration of credit, and should not include fixed fees.

#### **IV. Questions 52-58: Comment on Additional Issues**

##### Question 57


There are many issues raised by the ANPR that are far more appropriately resolved through non-regulatory approaches. There is a significant need for greater consumer education and understanding of how open-end credit operates. The FRB, not creditors, should take a more proactive role in educating consumers about the characteristics and uses of open-end credit. For example, information on the effect of making only minimum payments, making late payments or exceeding a credit limit is better disseminated through educational efforts rather than through additional creditor disclosures.

Such educational efforts should go beyond the traditional approach of creating and distributing consumer pamphlets. WBA suggests that a more comprehensive program consist of, in addition to consumer pamphlets, an interactive educational web site and mass media education of the issues and promotion of the web site.

#### **Conclusion**

WBA appreciates the opportunity to comment on the ANPR issued by the FRB. WBA looks forward to submitting comments on specific proposals as FRB develops them on these issues. However, WBA again encourages FRB to strongly consider non-regulatory approaches to resolving many of the matters raised in the ANPR. Thank you.

Sincerely,



Kurt R. Bauer  
President/CEO